

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 228 – SB 231

May 27, 2010

SUMMARY OF AMENDMENT (019109): Deletes the language of the original bill and adds new language that authorizes a refund of state and local sales taxes on the retail sale of certain items of tangible personal property when sold to a natural person who has received disaster assistance through the Federal Emergency Management Agency (FEMA). Eligible items include major appliances, residential building supplies, and residential furniture as defined. Such items must be purchased between May 1, 2010 and September 30, 2010. Requires all such eligible items which are sold under the proposed refund to be utilized in the person's primary residence for the purposes of restoration, repair, and replacement or rebuilding due to disaster damage occurring between May 1, 2010 and May 8, 2010. Authorizes the Department of Revenue (DOR) to assess civil penalty not to exceed \$25,000 for reporting false information. Requires that all refunds be paid from the General Fund. Makes declaration that nothing within the amendment should be construed to reduce the amount of sales and use tax payable to local governments. Creates a study committee to examine and make recommendations regarding fiscal policy on the issue of natural disasters. Such members of the study committee shall meet only during session of the General Assembly and shall report its findings and recommendations to the General Assembly by April 1, 2011, at which time the committee shall cease to exist.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$200,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – Exceeds \$19,950,000/One-Time
Increase State Expenditures – Not Significant

Assumptions applied to amendment:

- Based on information provided by the Department of Revenue, taxable sales for eligible items are likely to exceed \$210,000,000.
- Refunds for both state and local sales tax will be paid from the state's General Fund.
- Local government revenue will not be impacted.
- A combined state and local sales tax rate of 9.5 percent (7.0 percent state rate; and 2.5 percent local option rate).

- The one-time decrease to state revenue from the General Fund is estimated to exceed \$19,950,000 ($\$210,000,000 \times 9.5\% = \$19,950,000$).
- Any cost of studying fiscal policy on the issue of natural disasters is considered to be not significant because members of the study committee will only meet when the legislature is in session.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc